



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 28, 2010

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: TEFRA Hearing For Santa Barbara Cottage Hospital

RECOMMENDATION:

That Council hold a public hearing and adopt, by reading of title only, A Resolution of the City Council of the City of Santa Barbara Approving a Tax-Exempt Bond Financing to be Issued by the California Statewide Communities Development Authority to Benefit Santa Barbara Cottage Hospital and Affiliates.

DISCUSSION:

The California Statewide Communities Development Authority (CSCDA) is a joint exercise of powers authority formed to assist local governments and non-profits with their financing needs. The City is a member of the CSCDA. It was the CSCDA that issued the Property Tax Securitization Bonds in December 2009 that enabled participating cities to receive the property taxes borrowed this fiscal year by the State of California well ahead of the state-promised repayment date.

CSCDA is assisting Cottage Health Systems ("CHS") with the issuance of bonds in an amount not to exceed \$310 million. CHS, a California nonprofit public benefit corporation, is the parent organization of four separate nonprofit public benefit corporations that own and operate acute care hospitals in Santa Barbara County: Santa Barbara Cottage Hospital, Goleta Valley Cottage Hospital and Santa Ynez Valley Cottage Hospital plus Goleta Valley Professional Buildings, Inc. The hospitals together provide the majority of acute-care hospital services in southern Santa Barbara County.

According to information contained in their CSCDA application, the bond proceeds will be used to fund new and improved facilities to the Santa Barbara Cottage Hospital and Goleta Valley Cottage Hospital.

Under federal and state law, the governing body of any local entity within which bond proceeds are to be spent must: (1) conduct a public hearing and (2) approve the issuance of the debt. Therefore, because the new bond financing will benefit Santa Barbara Cottage Hospital, which is located within the City of Santa Barbara, the City Council must hold a public hearing and adopt a resolution approving the debt issuance.

Council has held numerous such TEFRA hearings, most recently for the issuance of bonds by CSCDA for the benefit of the American Baptist Homes of the West, which was approved by City Council on January 26, 2010.

It is important to understand that the City is in no way associated with the debt issuance and that holding a public hearing and adopting a resolution in no way makes the City a party to the debt issuance. Federal laws governing these types of hearings recognized that non-profit agencies typically do not have the facilities to conduct their own public hearings; therefore, the local jurisdictions were allowed to loan their facilities and process to hold public hearings for the benefit of the issuing agency.

Staff recommends the City conduct the public hearing and adopt the accompanying resolution approving the issuance of bonds by CSCDA.

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office